

CONFIDENTIAL (FR) CLASS II-FOMC

*Material for
Staff Presentation to the
Federal Open Market Committee*

February 1, 1982

Principal Assumptions

Monetary Policy

- Growth of M1 of 4 percent in 1982 and 3½ percent in 1983

Fiscal Policy

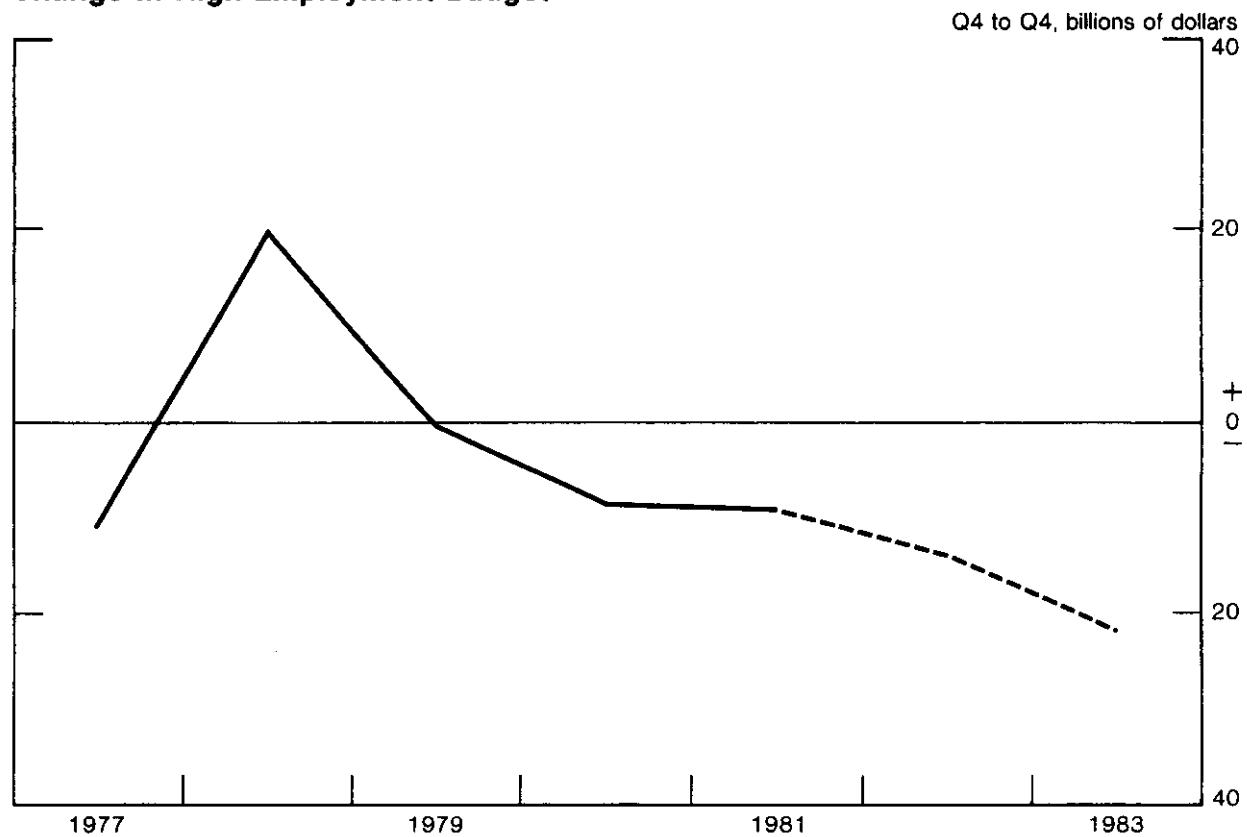
- Unified budget expenditures of \$ 734 billion in FY 1982 and \$ 777 billion in FY 1983
- Enacted tax and expenditure reductions implemented as scheduled
- Further expenditure cuts of \$15 billion and tax increases of \$5 billion in FY 1983

Federal Budget

Fiscal Years, Unified Budget Basis

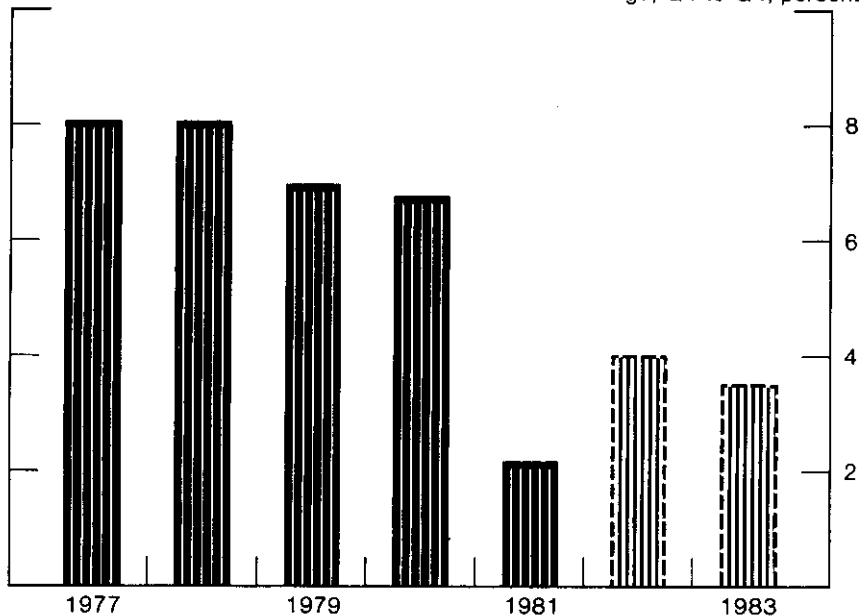
	1981		1982		1983	
	Billions of Dollars	Percent Change	Billions of Dollars	Percent Change	Billions of Dollars	Percent Change
Outlays	\$661	14%	\$734	11%	\$777	6%
Receipts	\$603	16%	\$627	4%	\$635	1%
Deficit	\$ 58		\$107		\$142	

Change in High Employment Budget



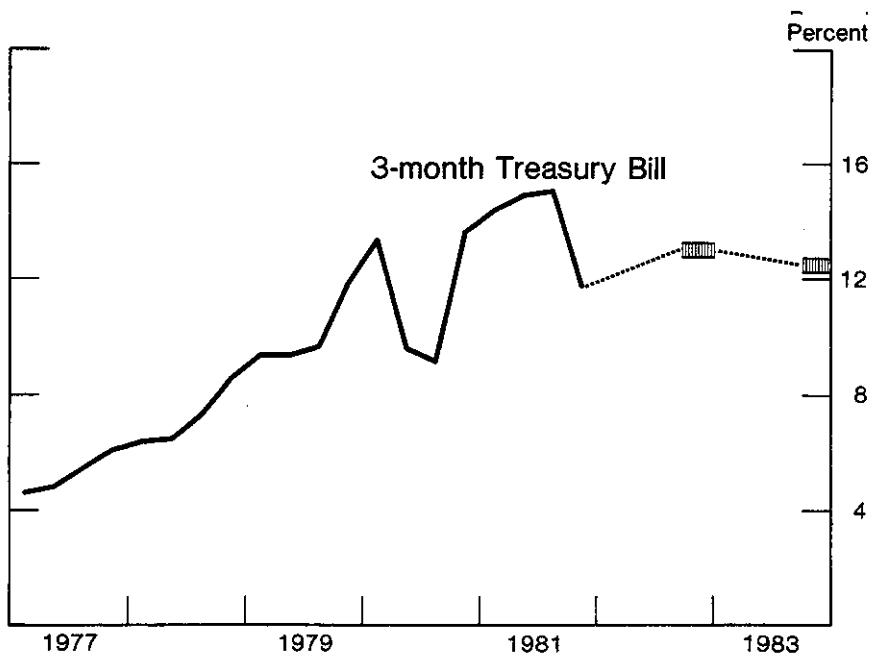
M1*

Change, Q4 to Q4, percent

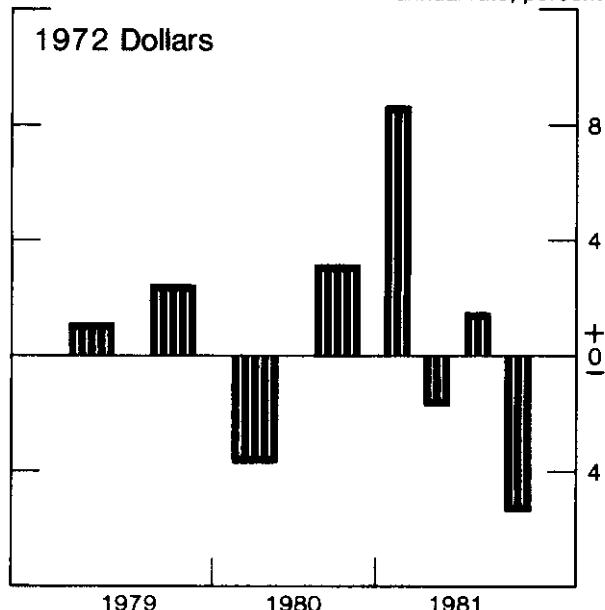


Interest Rate

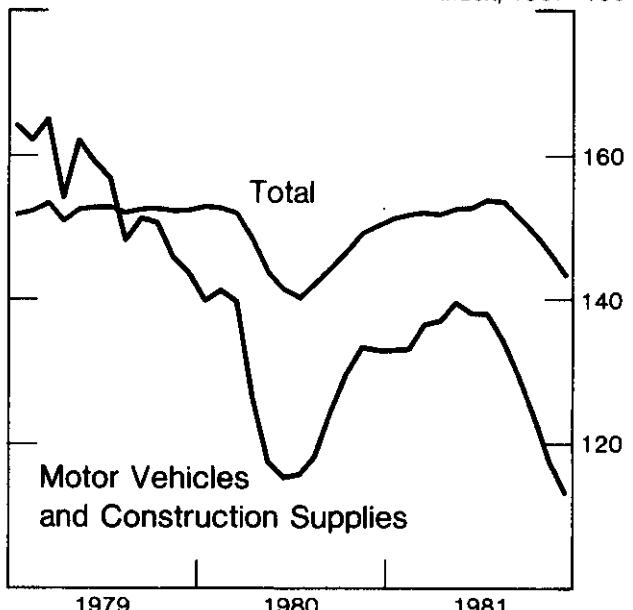
Percent



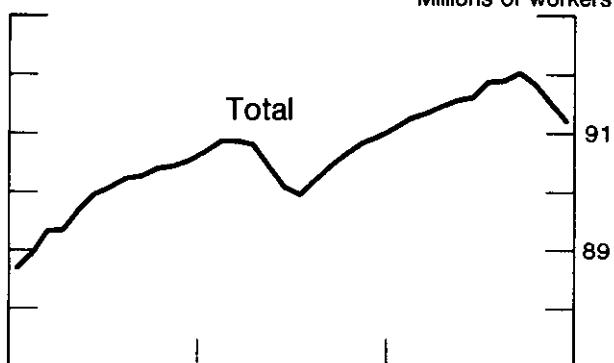
*Adjusted for shifts into ATS and NOW accounts.

Real GNPChange from end of previous period,
annual rate, percent**Industrial Production**

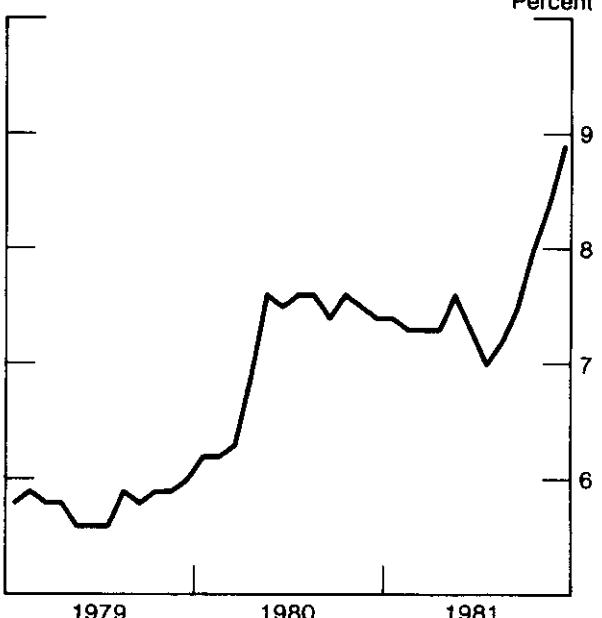
Index, 1967=100

**Nonfarm Payroll Employment**

Millions of workers

**Unemployment Rate**

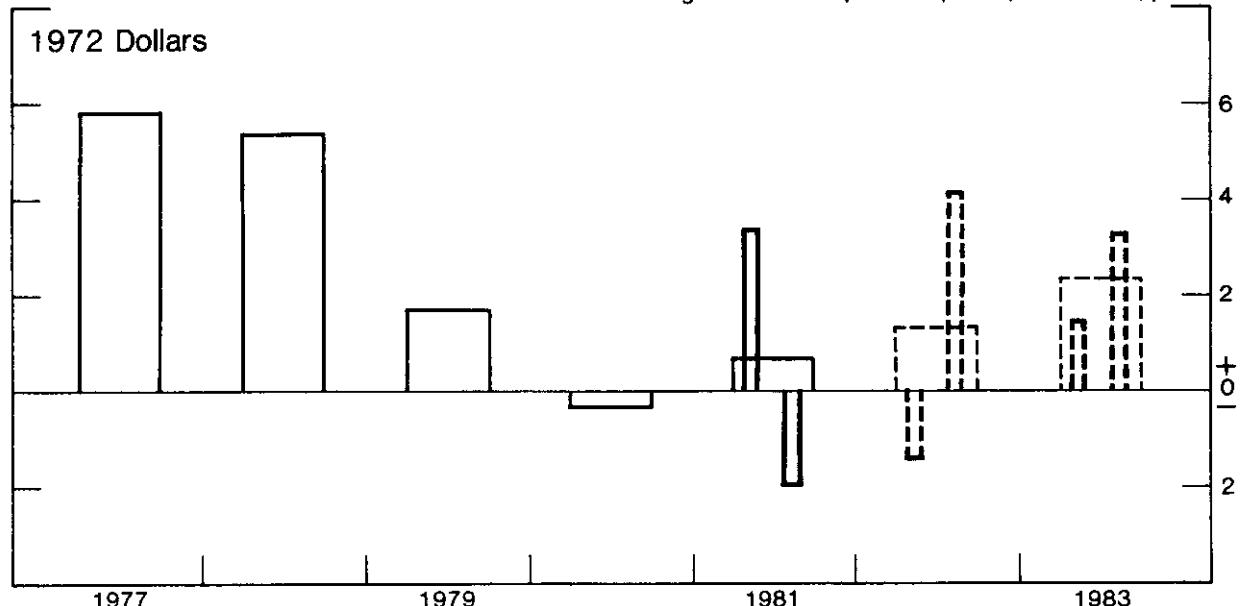
Percent



Manufacturing

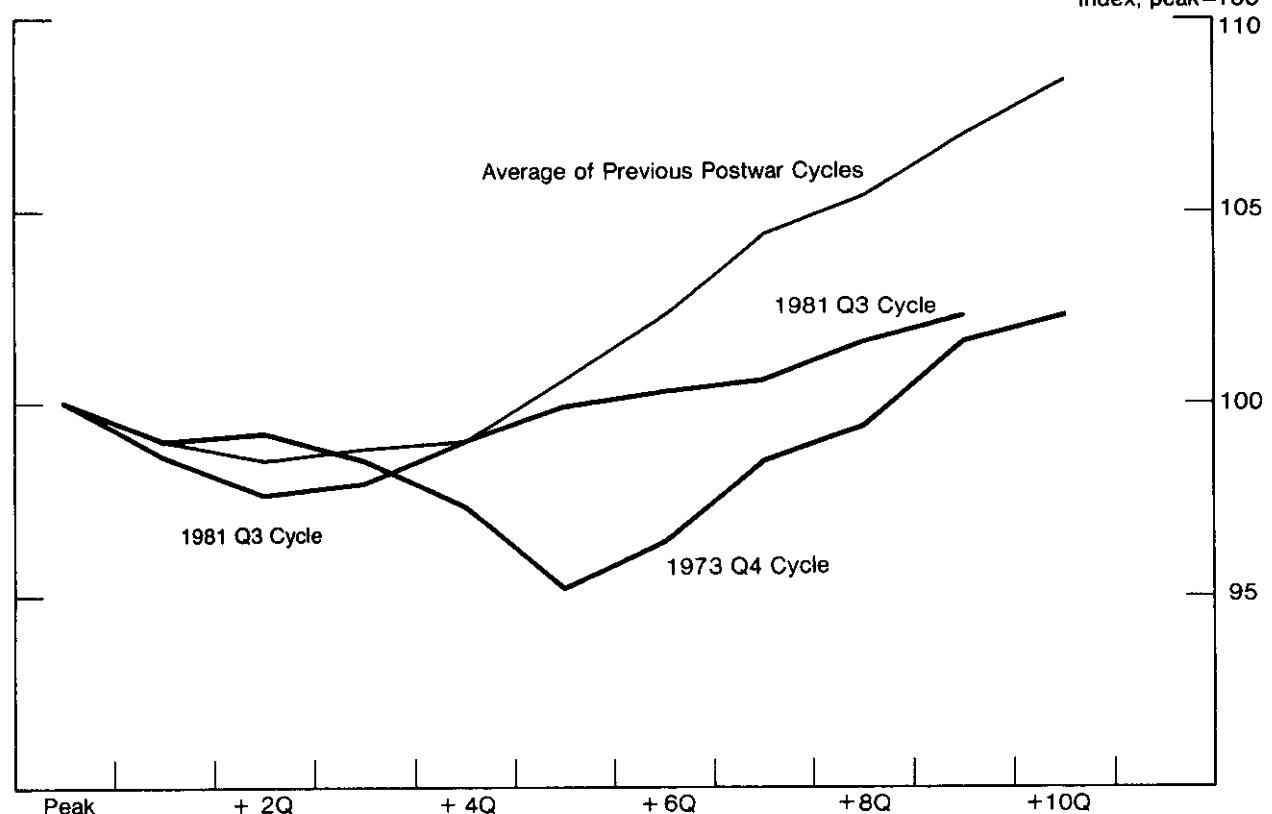
Real GNP

Change from end of previous period, annual rate, percent



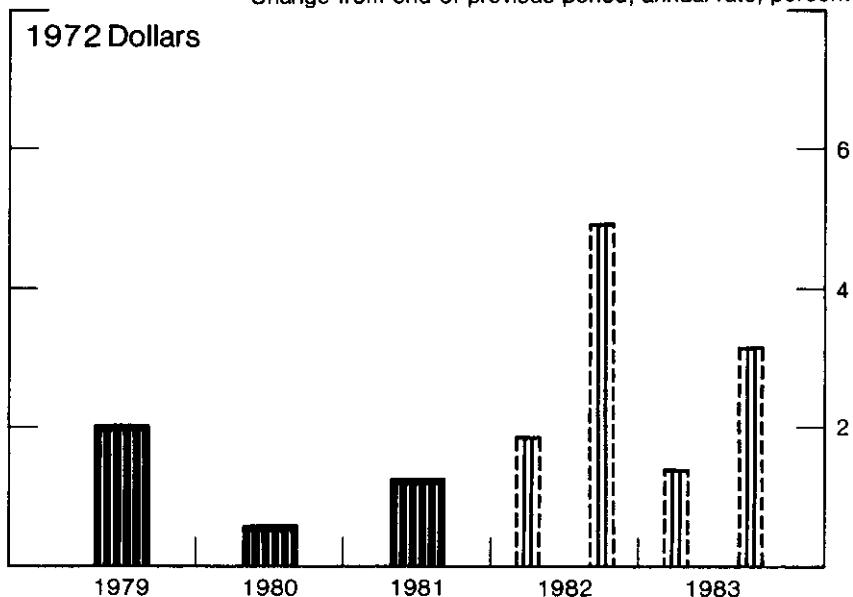
Comparison of Postwar Cycles in Real GNP

Index, peak=100



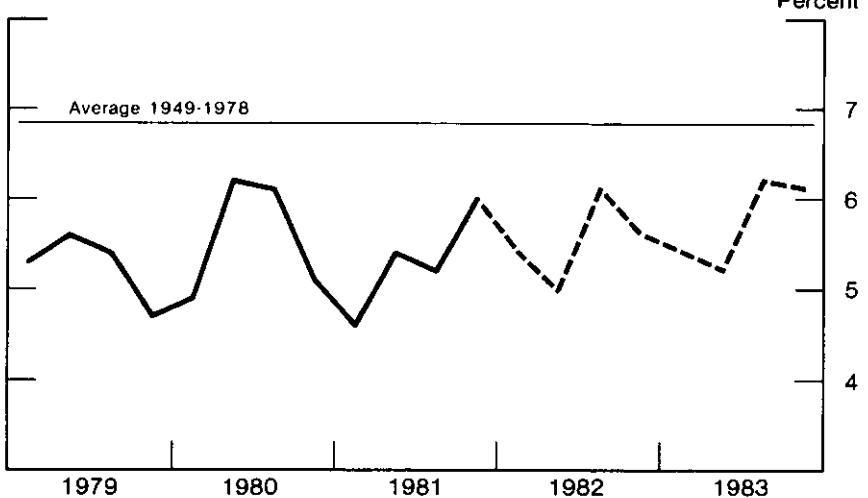
Real Personal Consumption Expenditures

Change from end of previous period, annual rate, percent

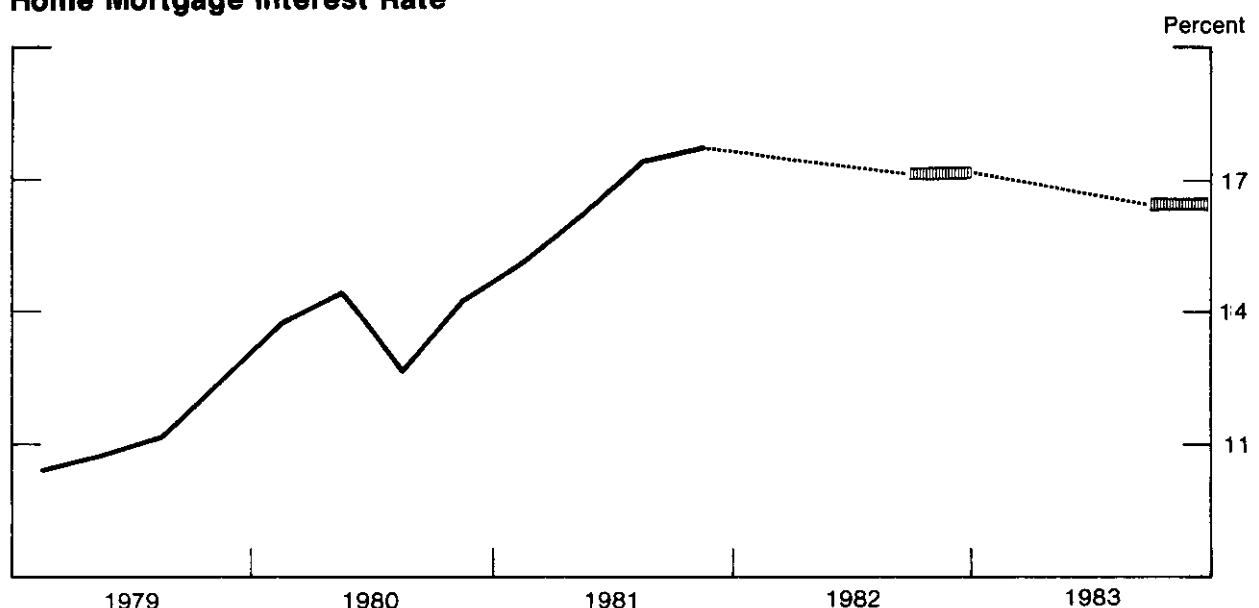


Saving Rate

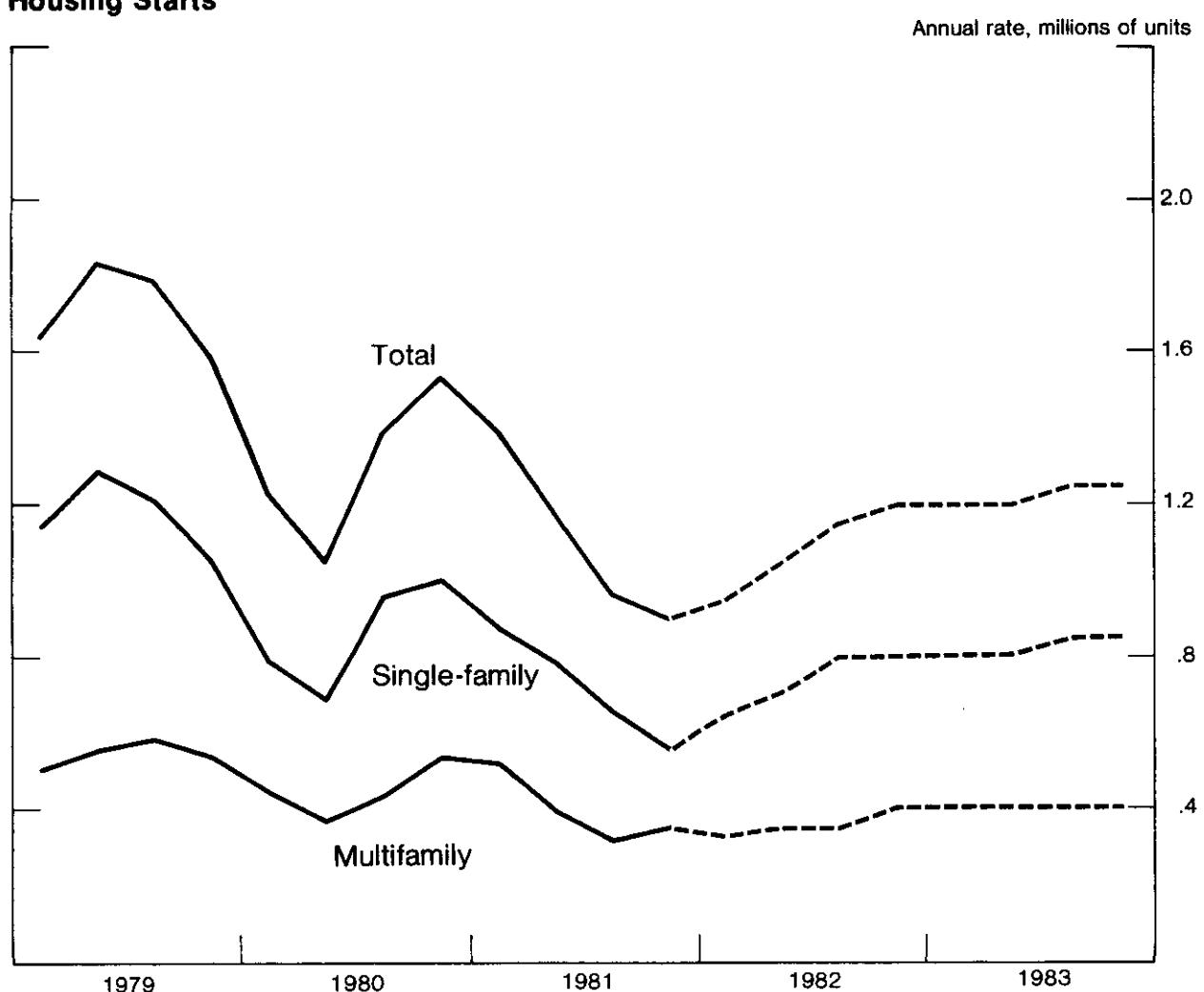
Percent



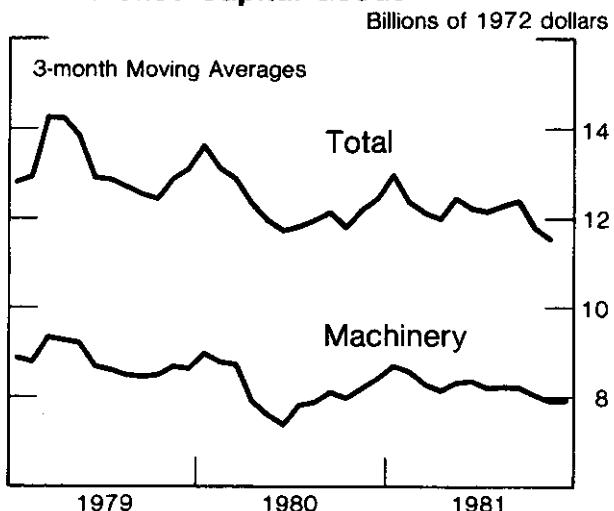
Home Mortgage Interest Rate



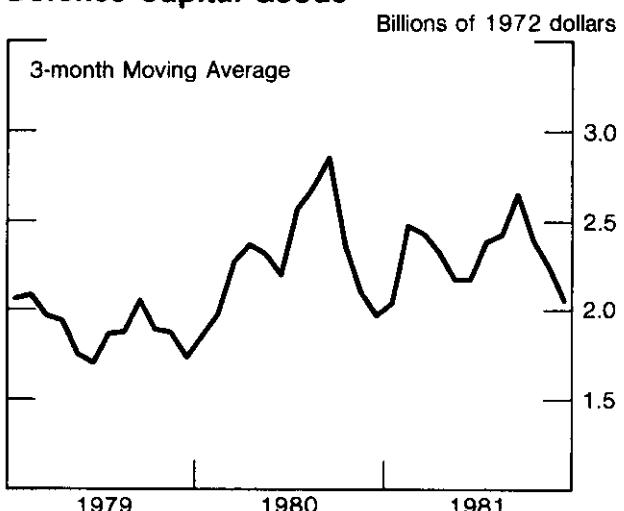
Housing Starts



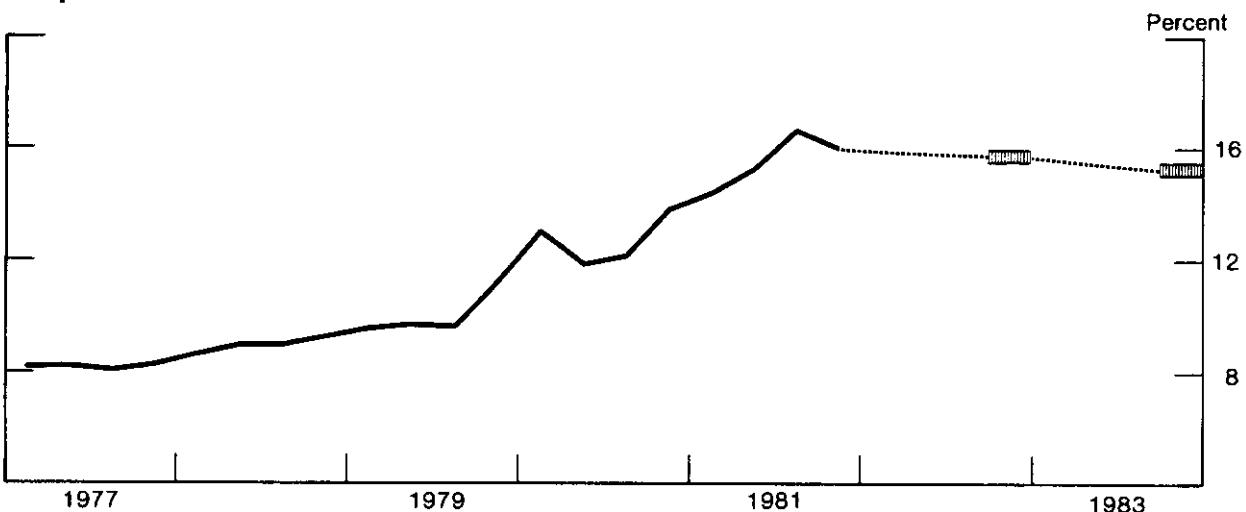
Real New Orders for Nondefense Capital Goods



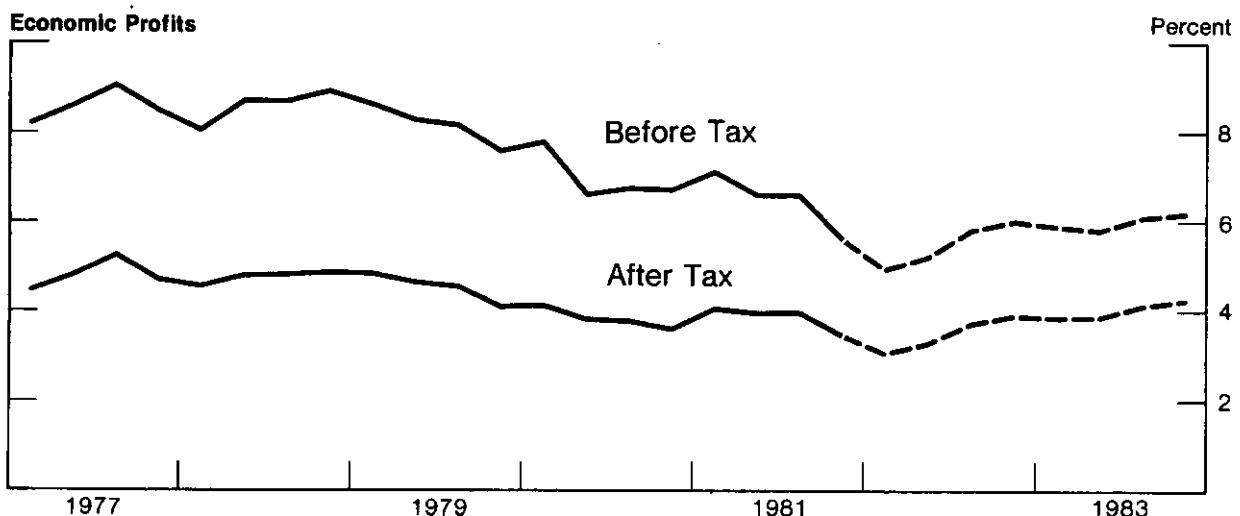
Real New Orders for Defense Capital Goods



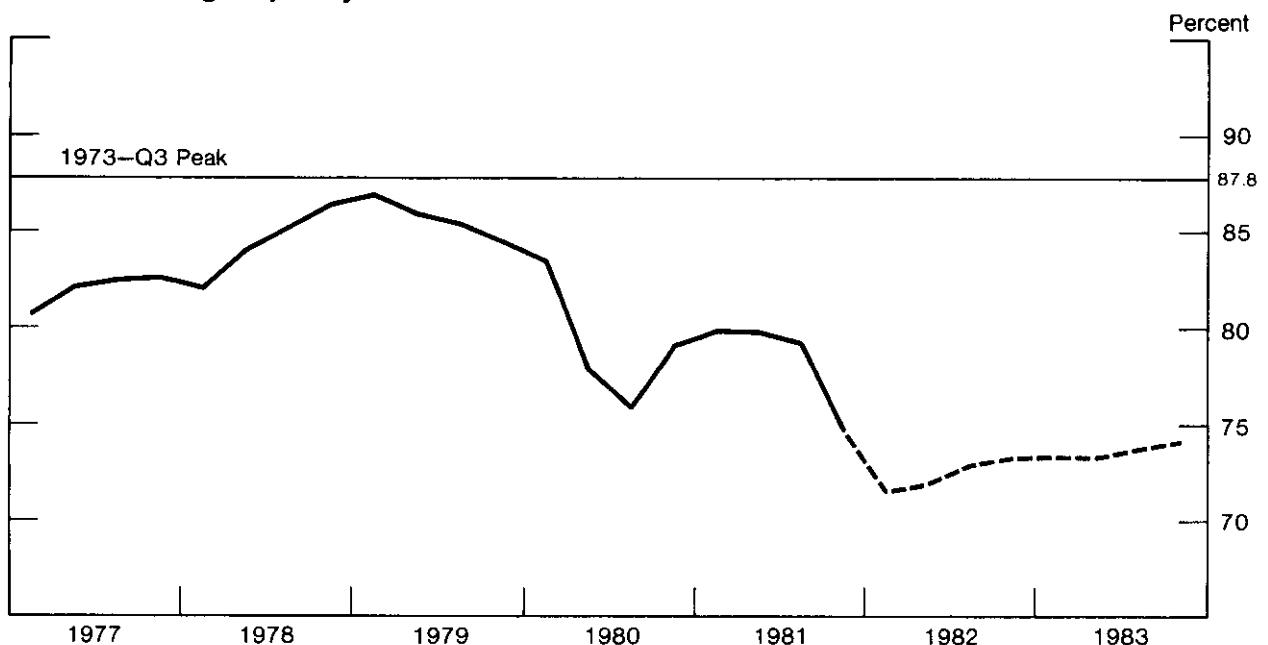
Corporate Bond Rate



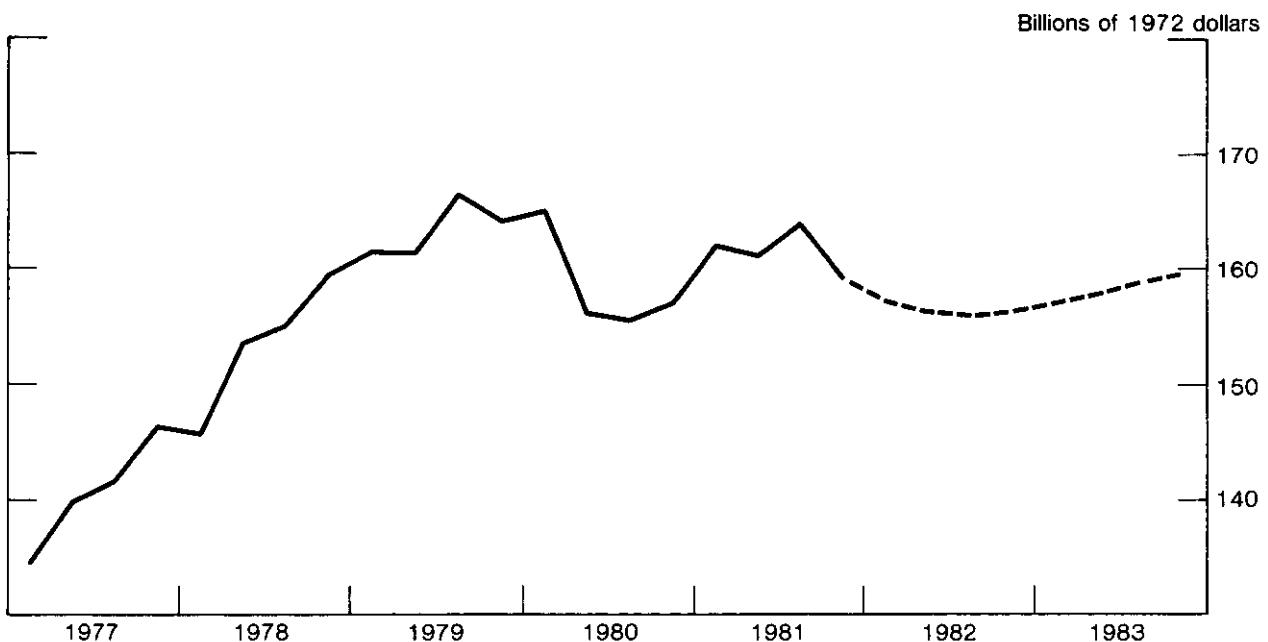
Corporate Profits Relative to GNP



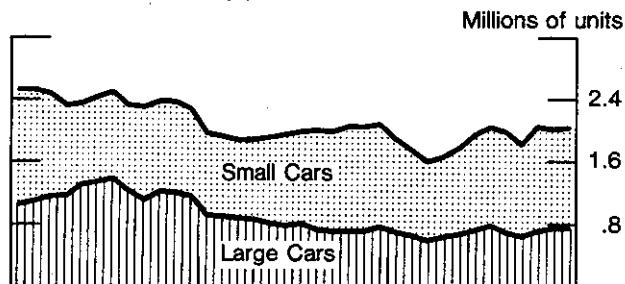
Manufacturing Capacity Utilization



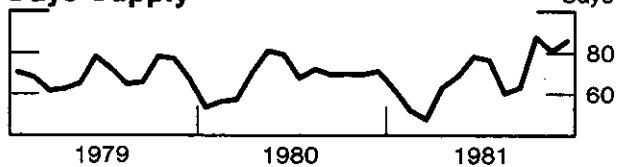
Real Business Fixed Investment



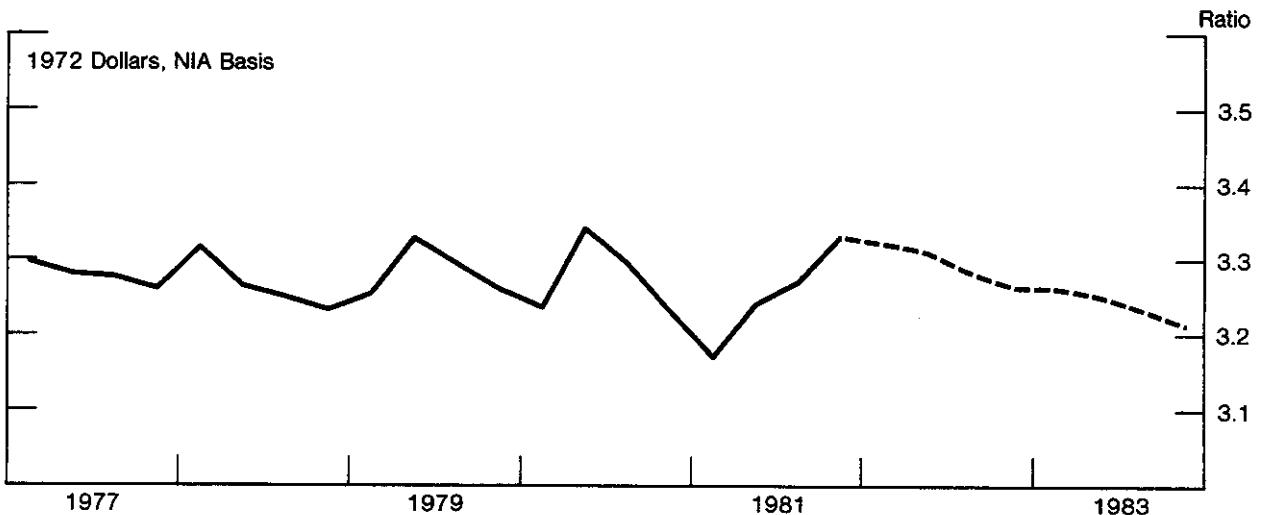
Auto Inventories



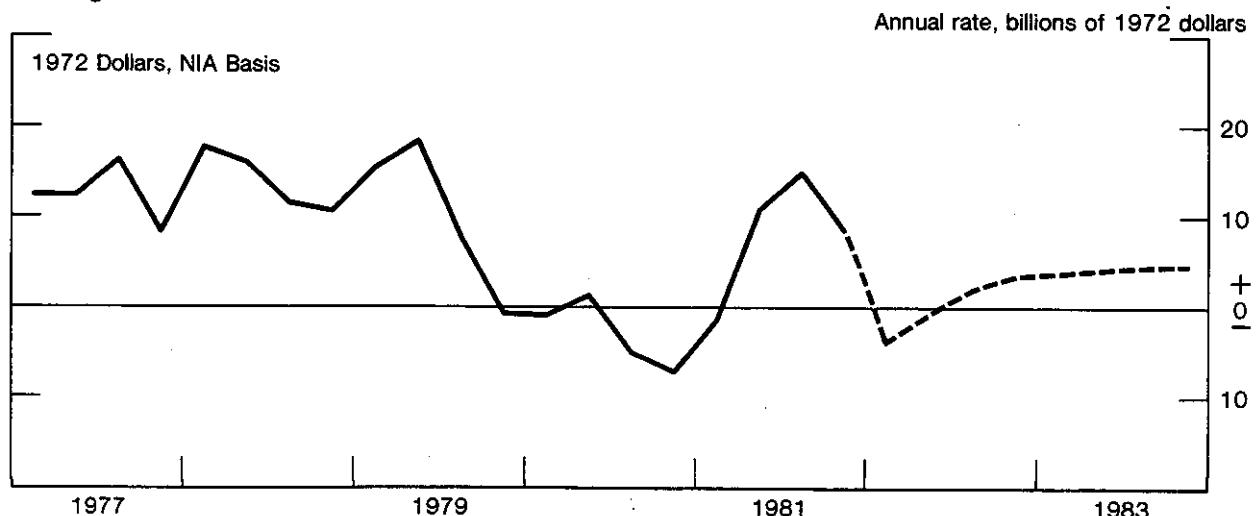
Days Supply



Manufacturing and Trade Inventories Relative to Sales

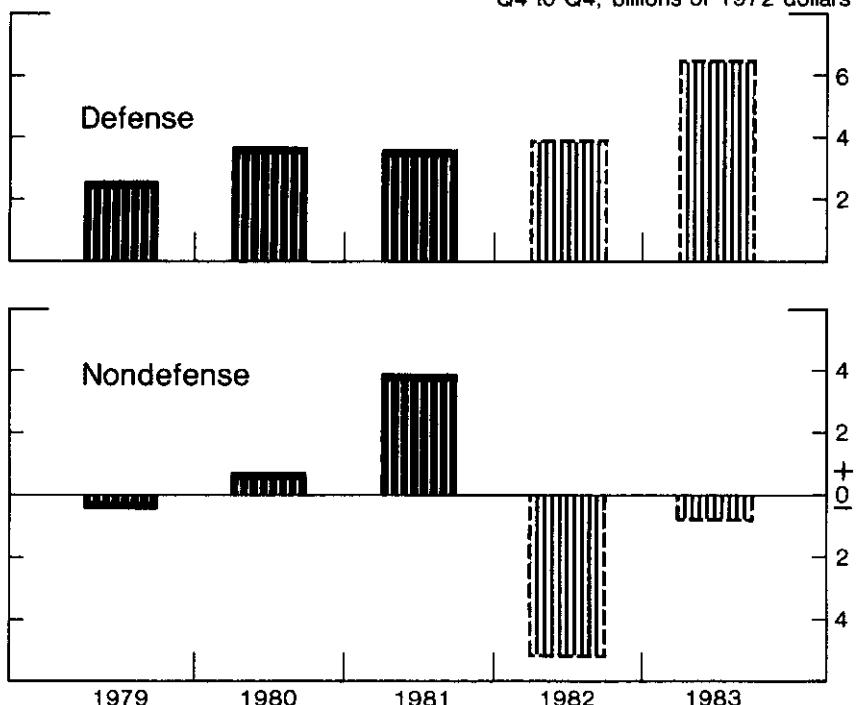


Change in Business Inventories



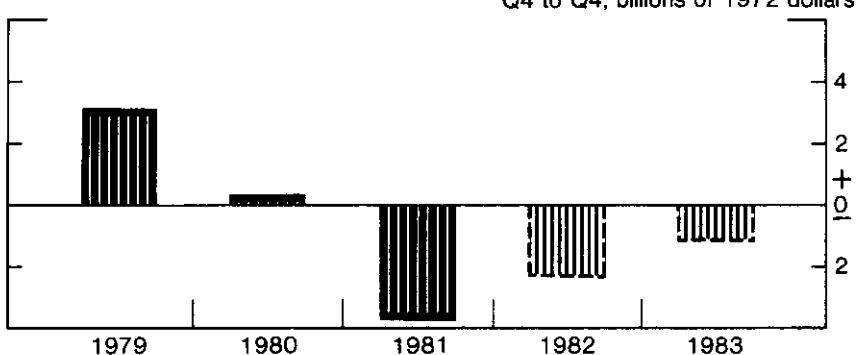
Change in Real Federal Government Purchases

Q4 to Q4, billions of 1972 dollars



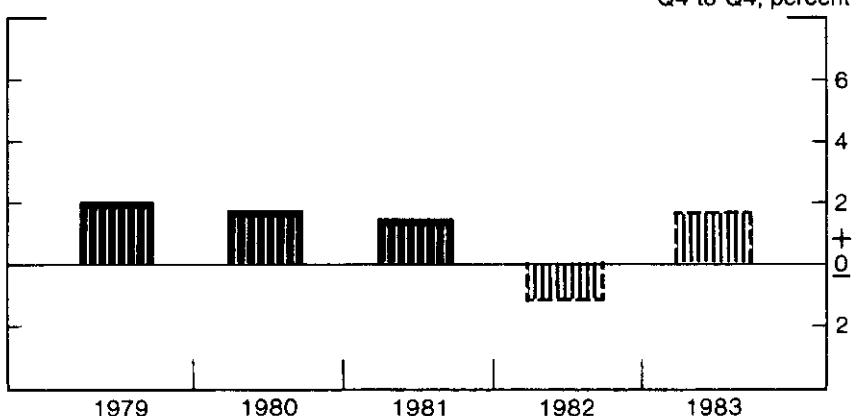
Change in Real State and Local Purchases

Q4 to Q4, billions of 1972 dollars



Percent Change in Real Total Government Purchases

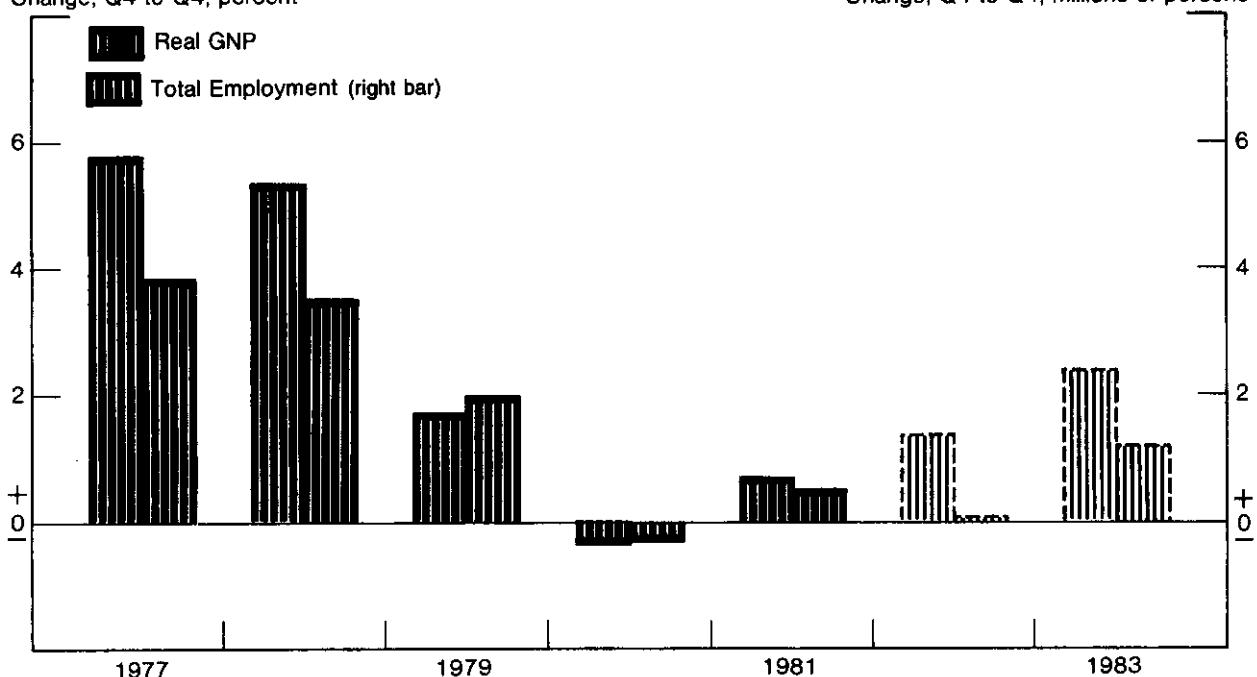
Q4 to Q4, percent



Total Employment and Real GNP

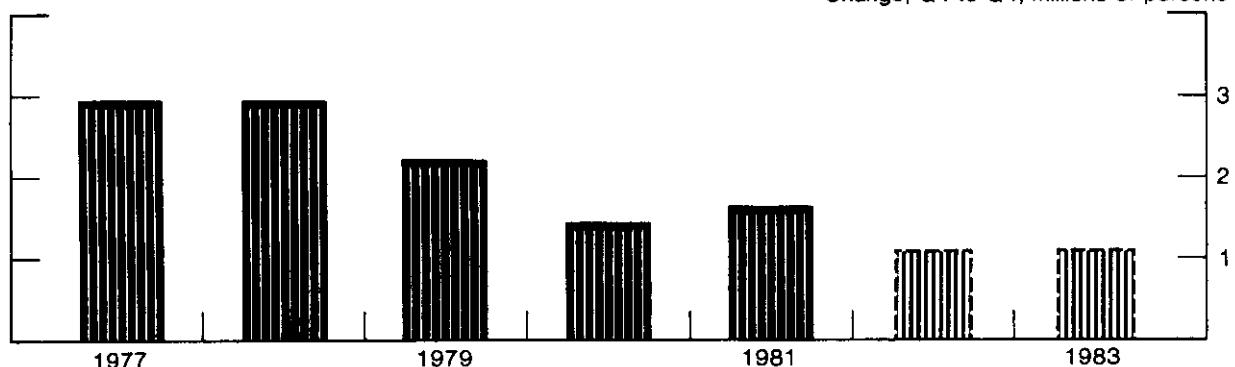
Change, Q4 to Q4, percent

Change, Q4 to Q4, millions of persons



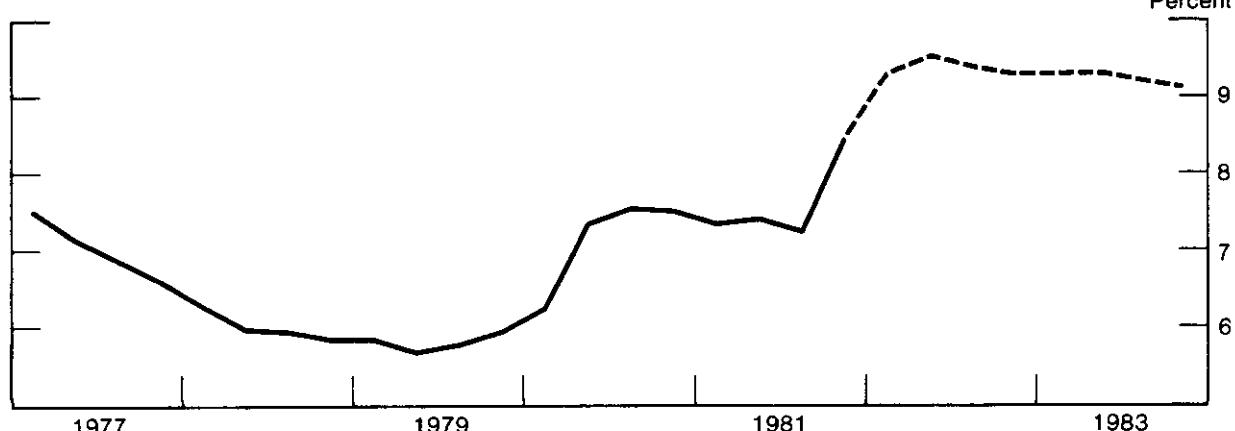
Civilian Labor Force

Change, Q4 to Q4, millions of persons



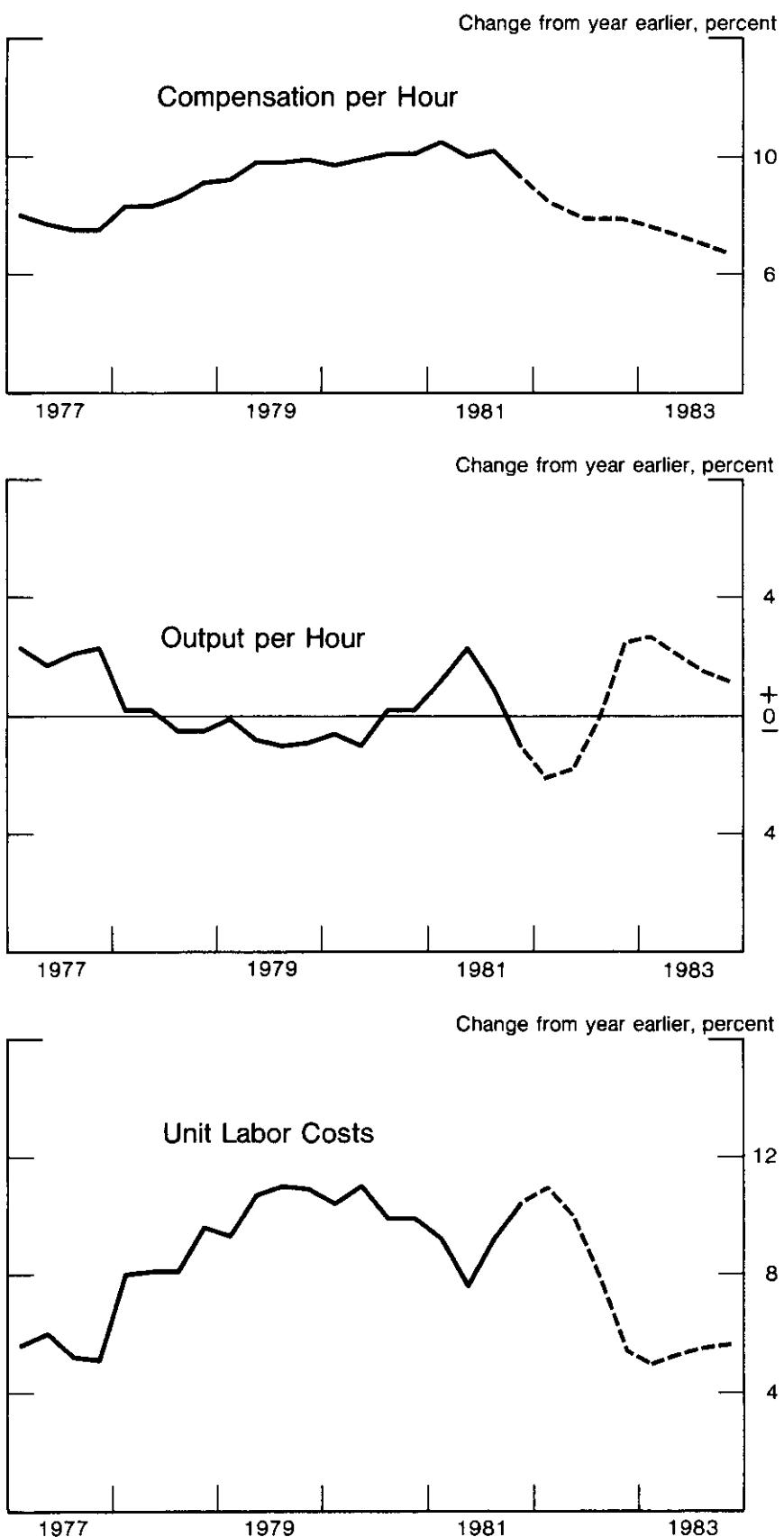
Unemployment Rate

Percent

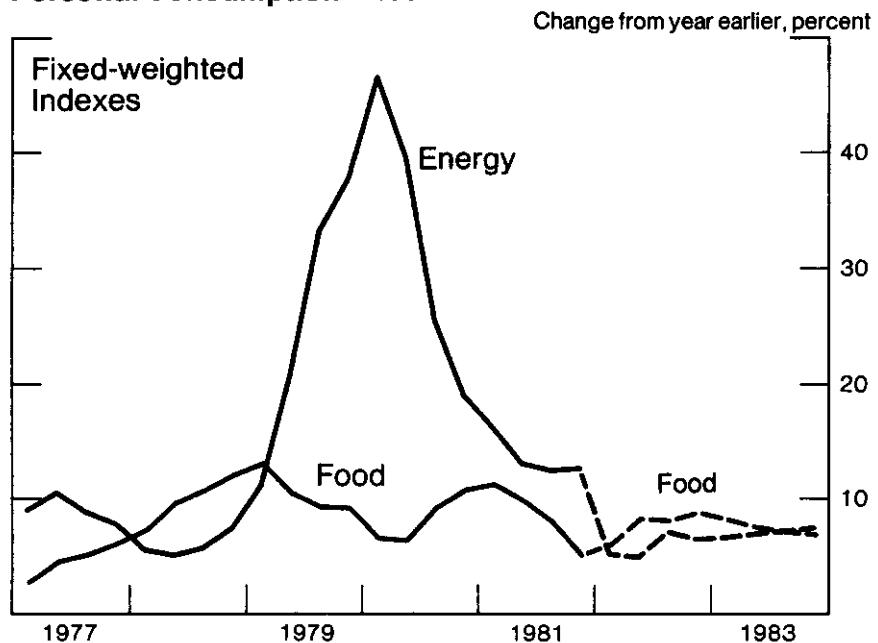


Unit Cost Indicators

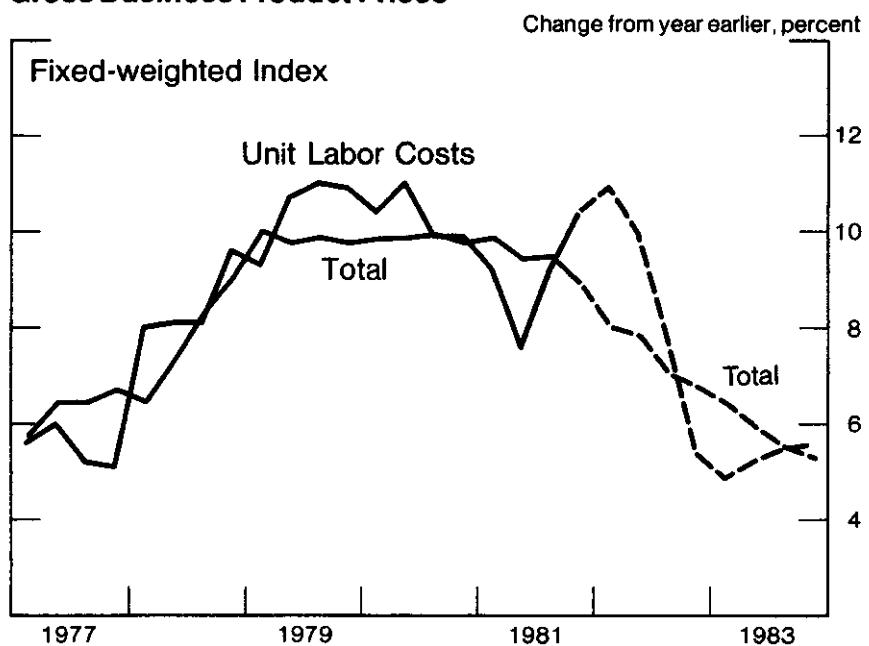
Nonfarm Business Sector



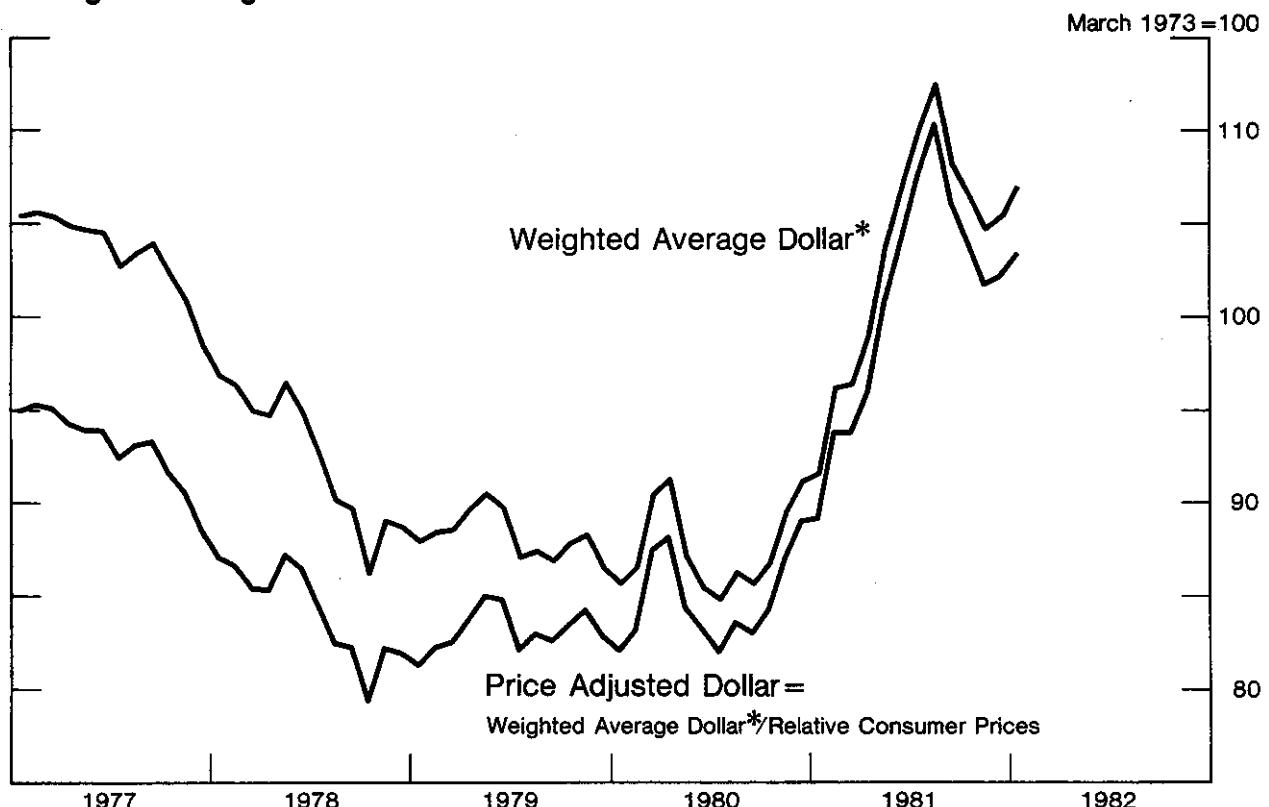
Personal Consumption Prices



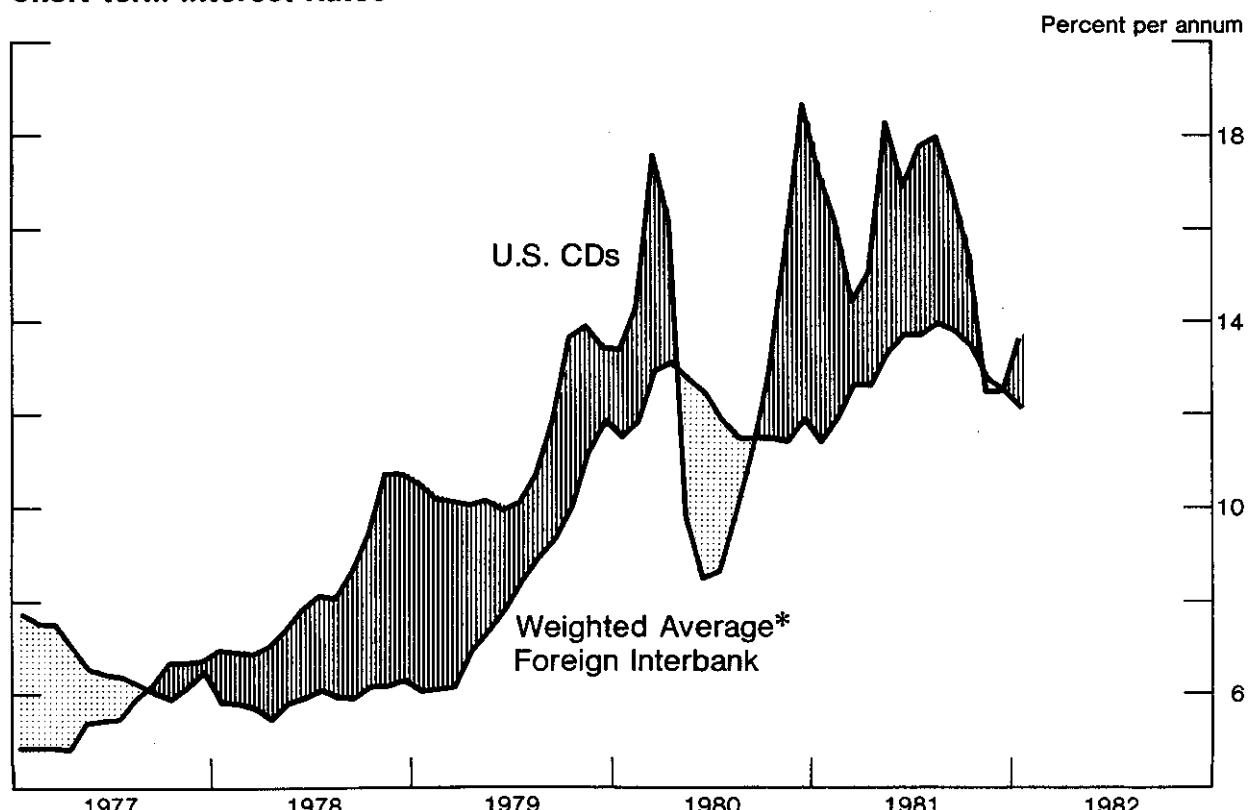
Gross Business Product Prices



Foreign Exchange Value of the U.S. Dollar

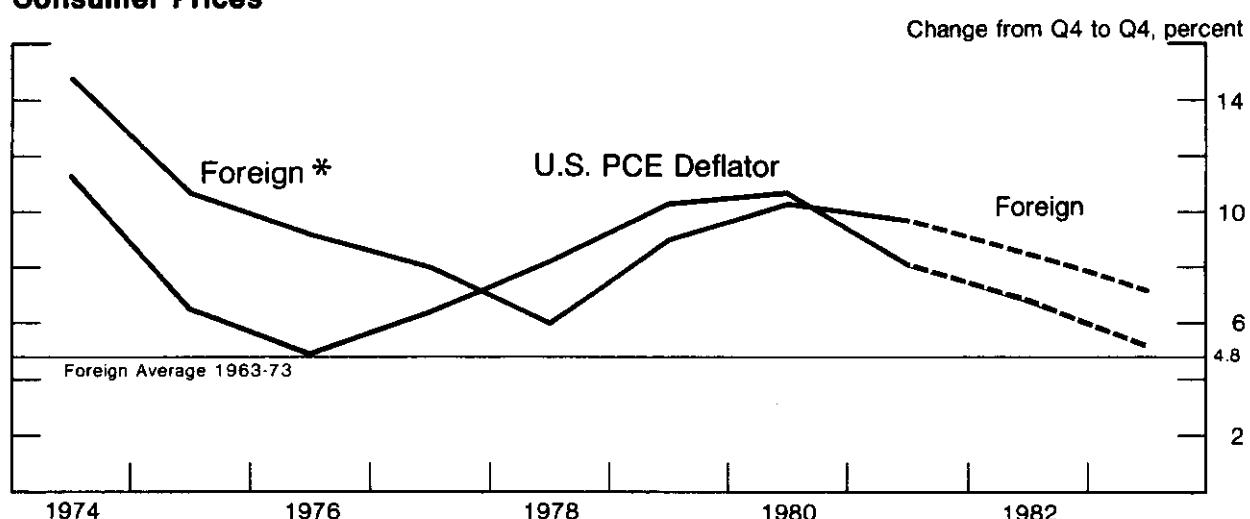


Short-term Interest Rates

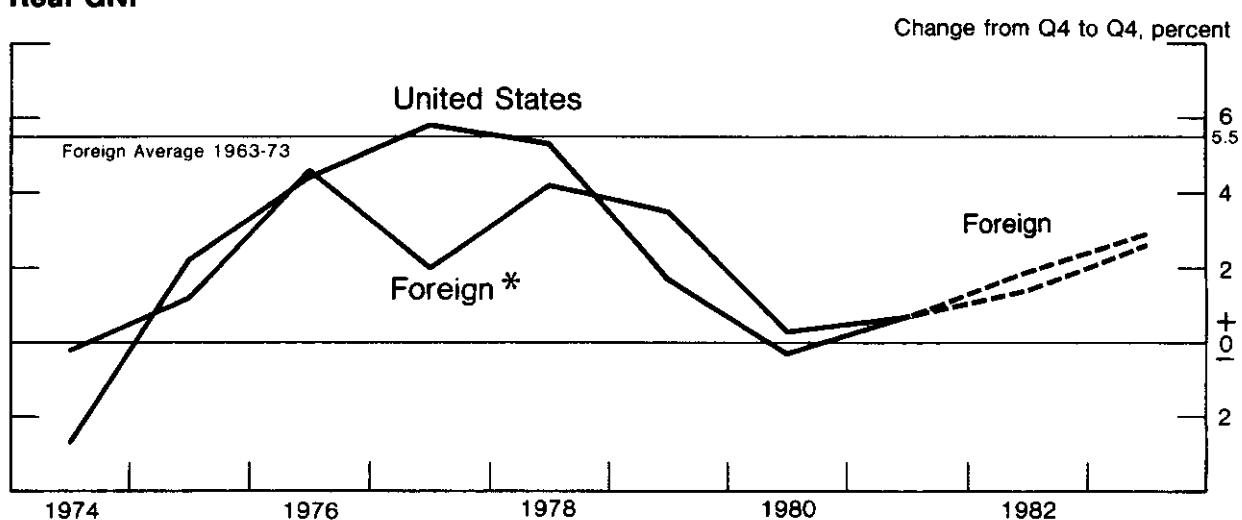


*Weighted average against or of G-10 countries plus Switzerland using total 1972—76 average trade of these countries.

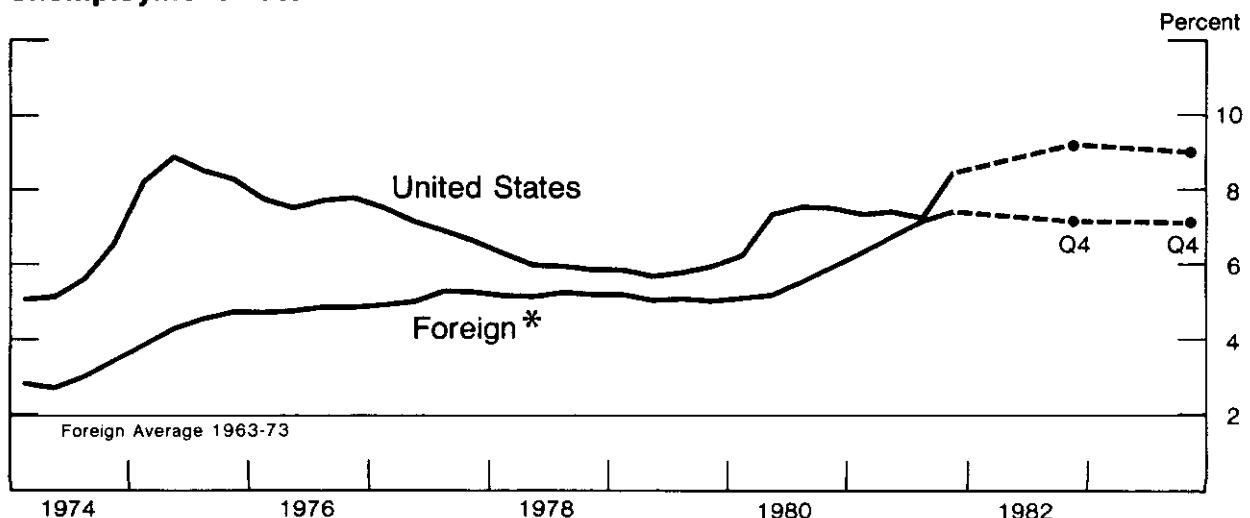
Consumer Prices



Real GNP

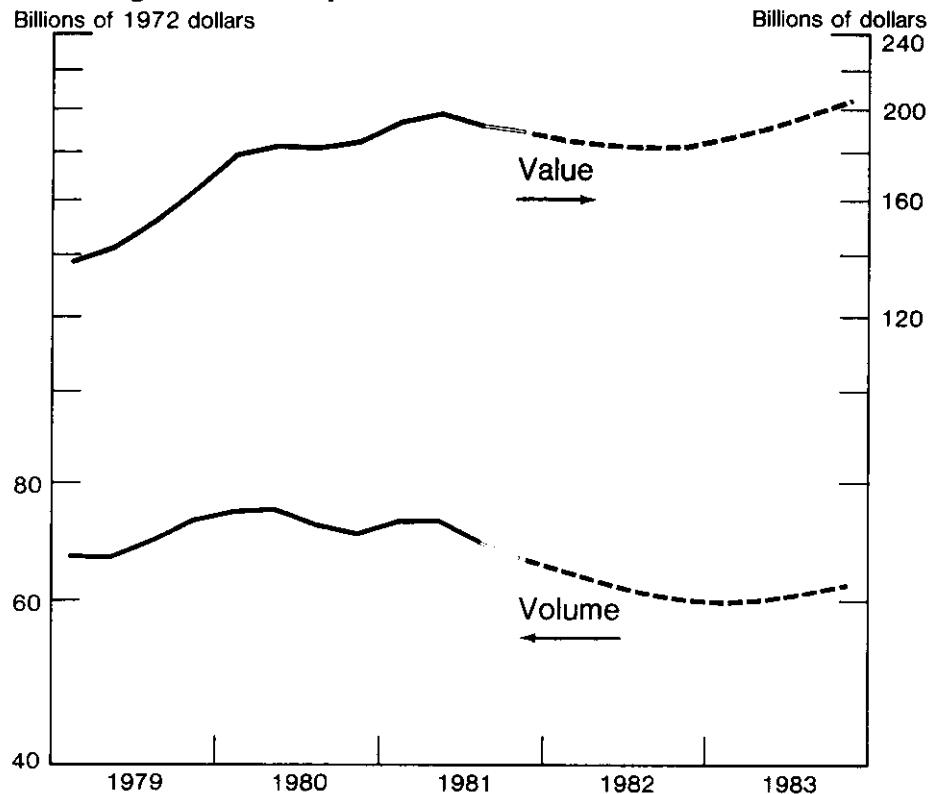


Unemployment Rate

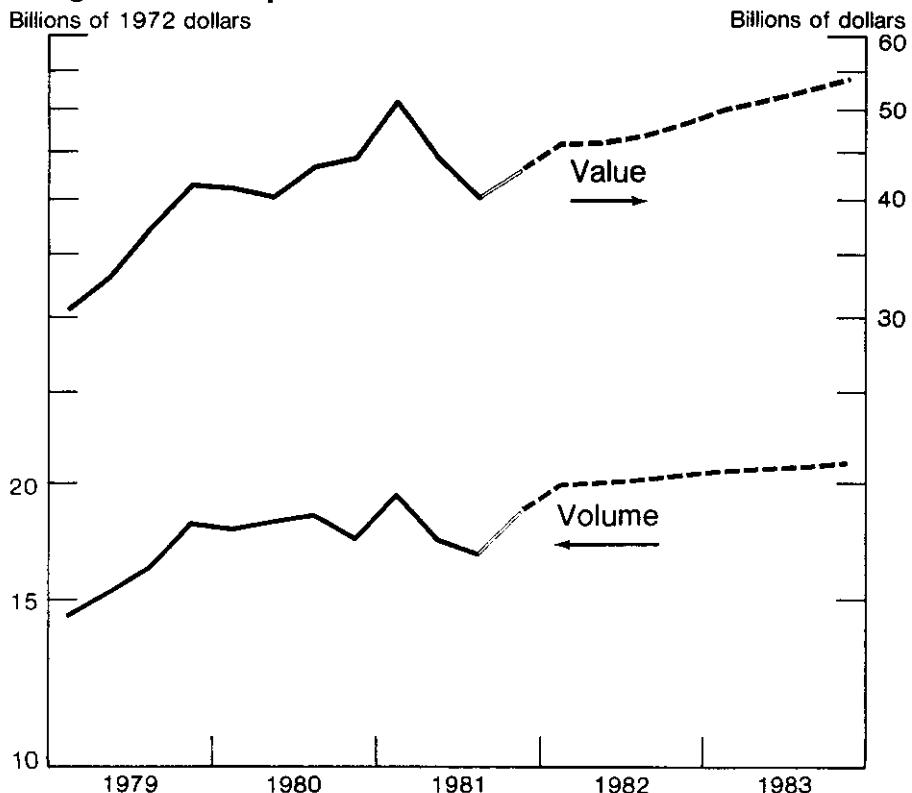


Weighted average of G-10 countries plus Switzerland using total 1972-76 average trade of these countries.

Nonagricultural Exports

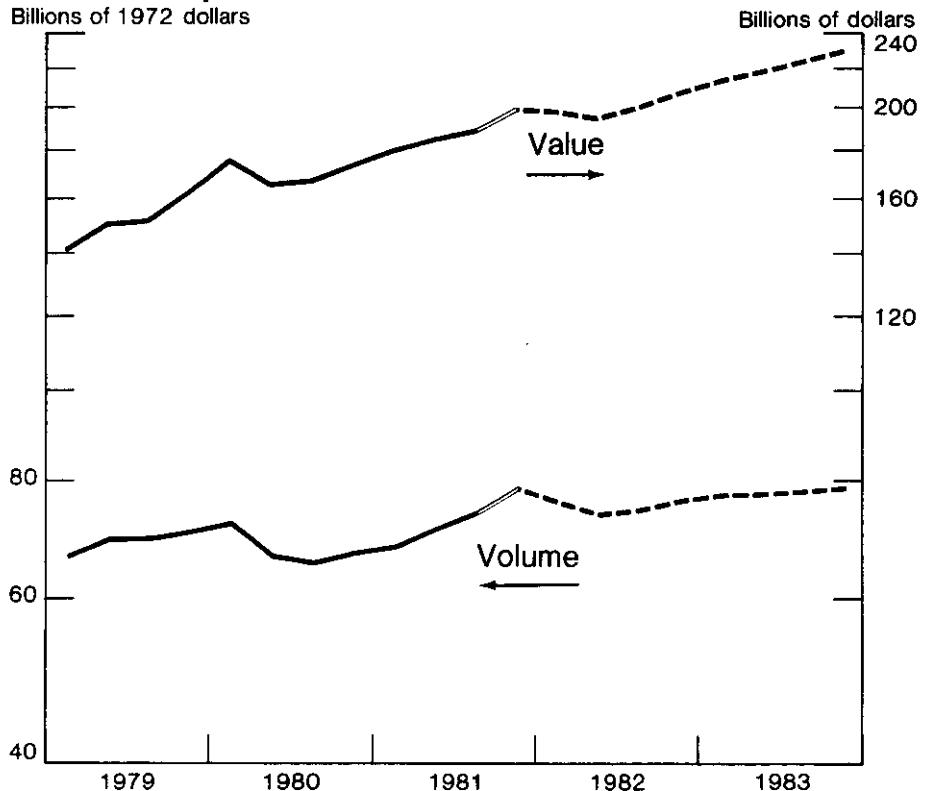


Agricultural Exports



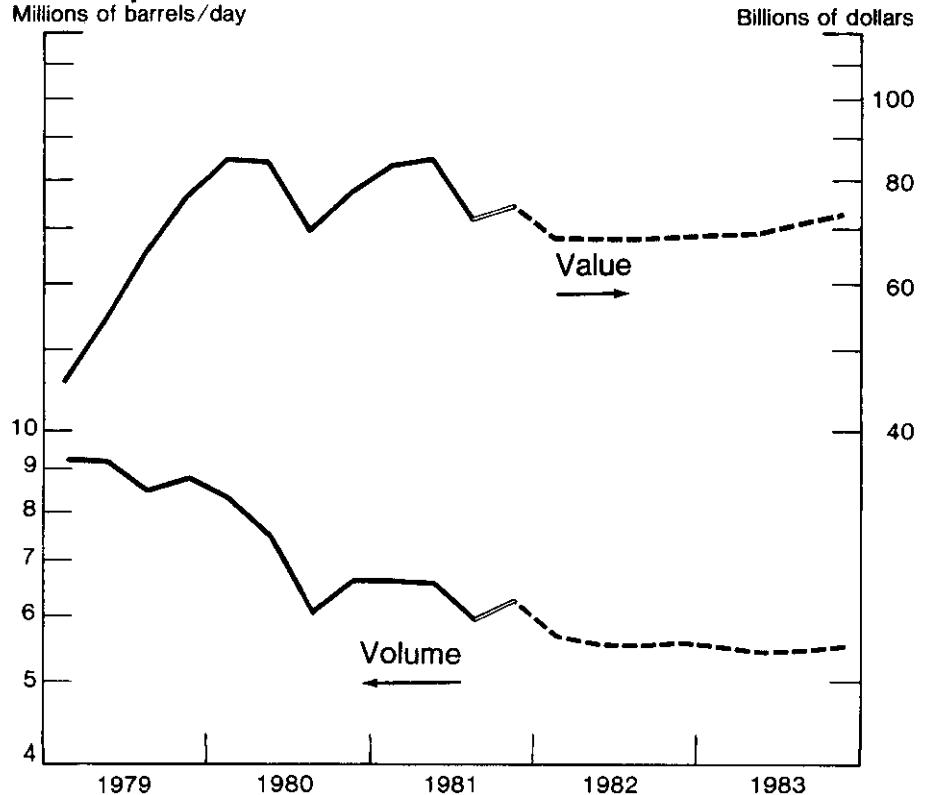
Non-Oil Imports

Billions of 1972 dollars

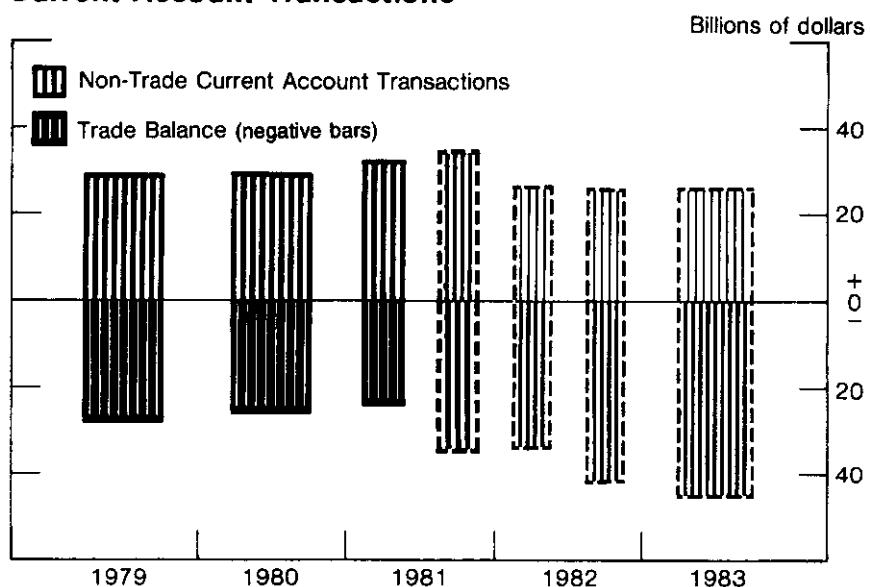


Oil Imports

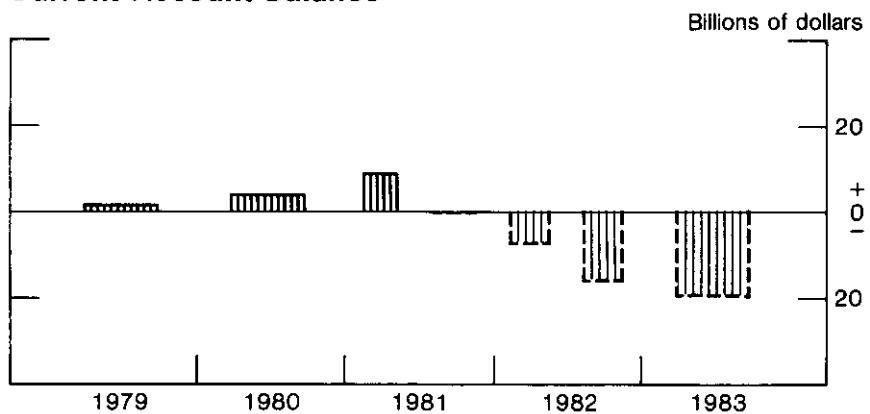
Millions of barrels/day



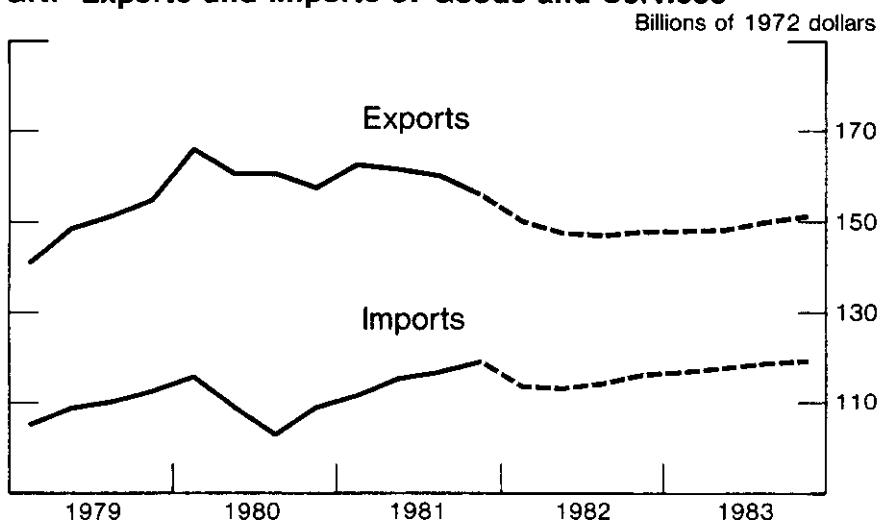
Current Account Transactions

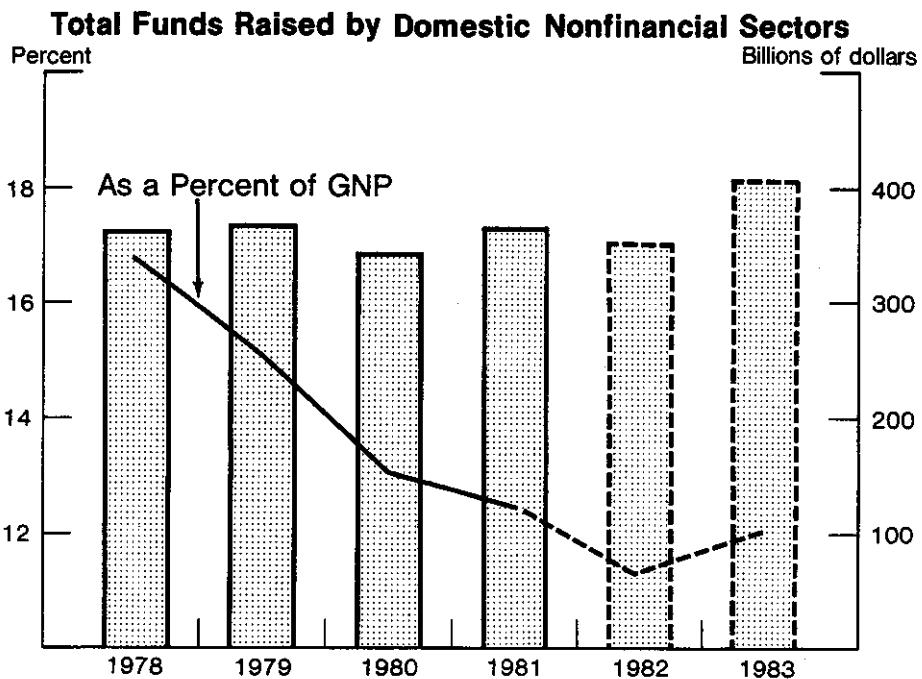


Current Account Balance

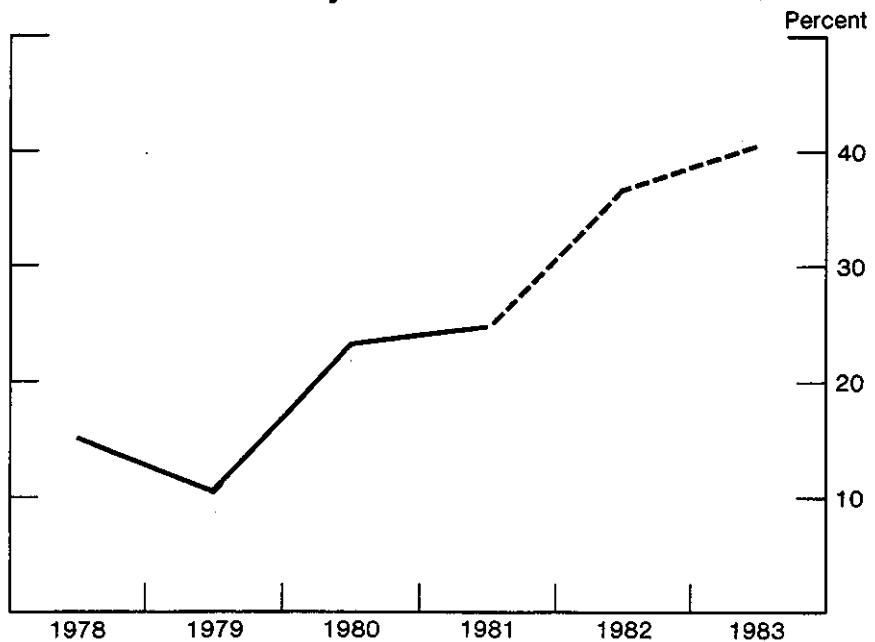


GNP Exports and Imports of Goods and Services



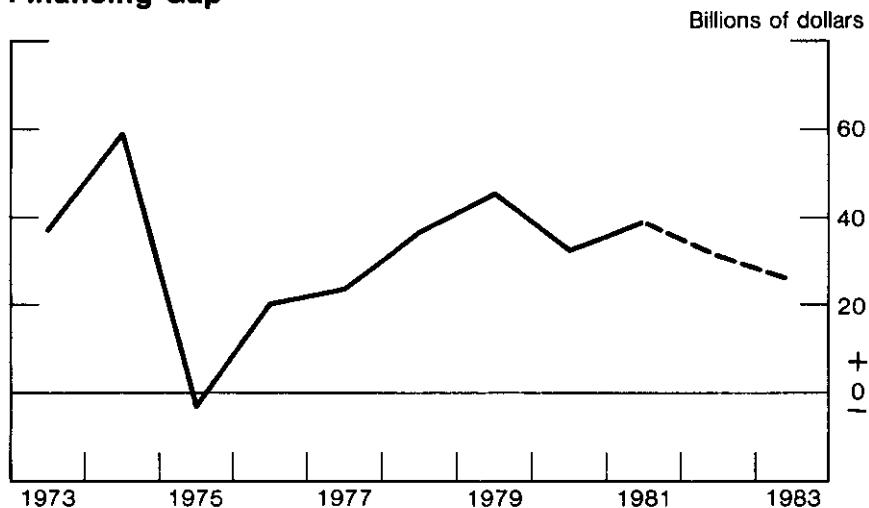


**U.S. Treasury Borrowings as a Percent of
Total Funds Raised by Domestic Nonfinancial Sectors**

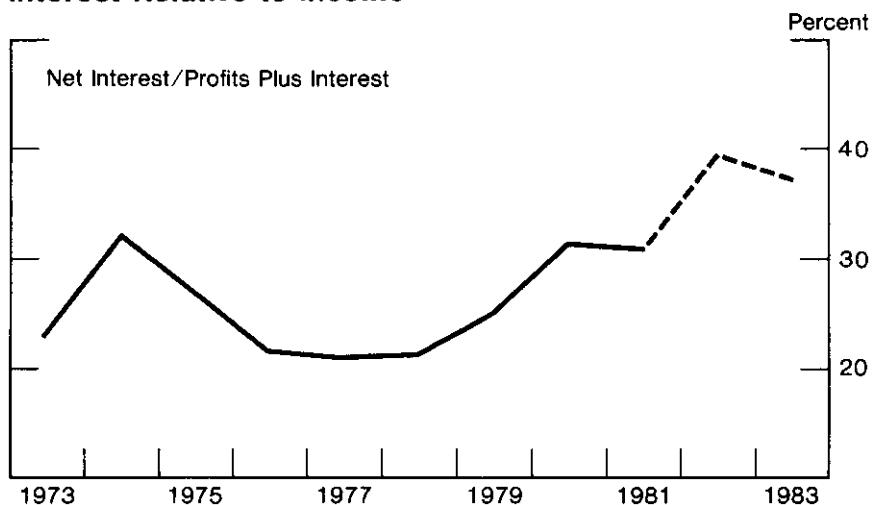


Nonfinancial Corporations

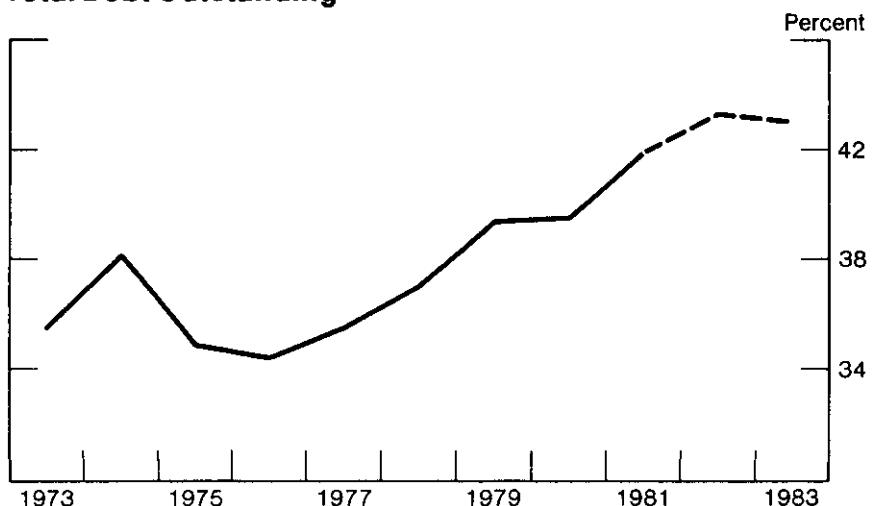
Financing Gap

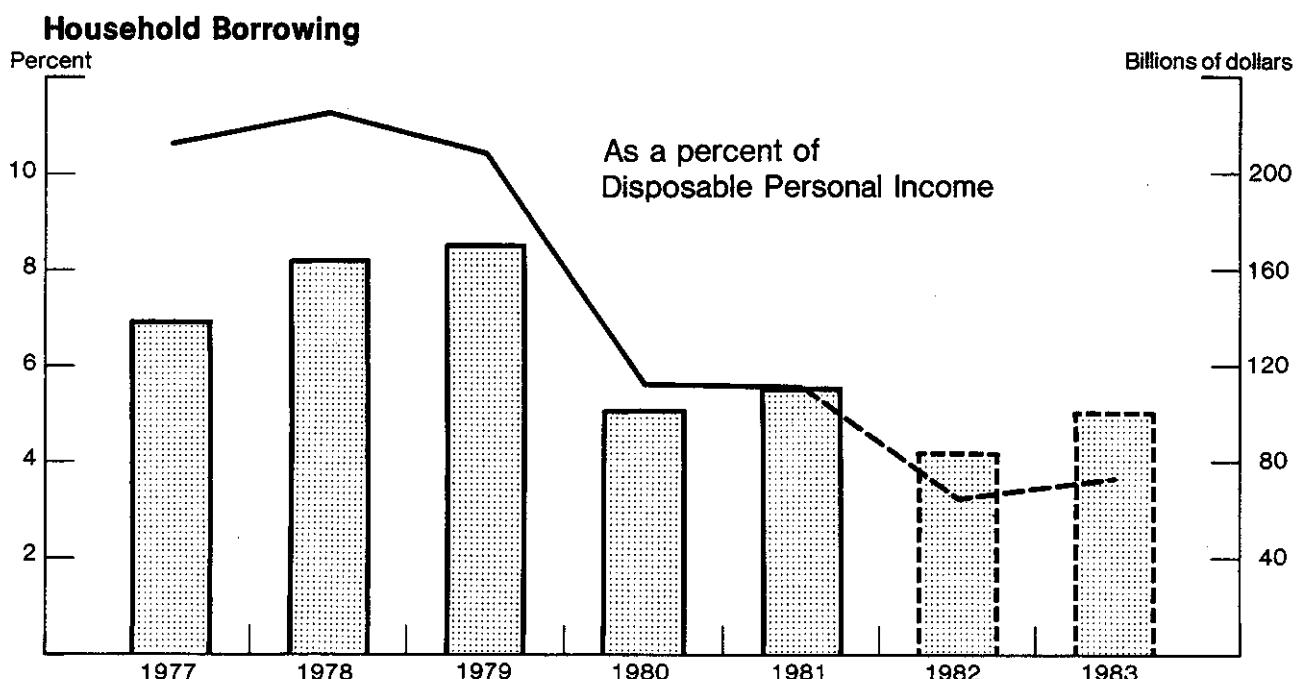


Interest Relative to Income

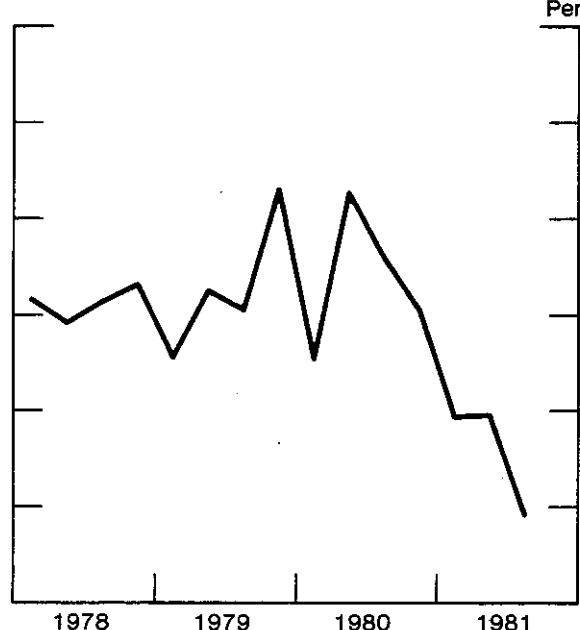


Short-term Debt Relative to Total Debt Outstanding

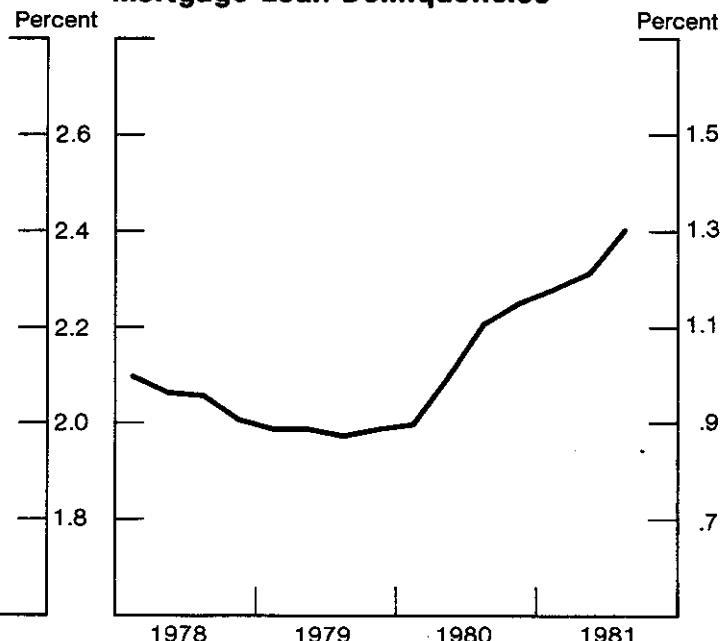




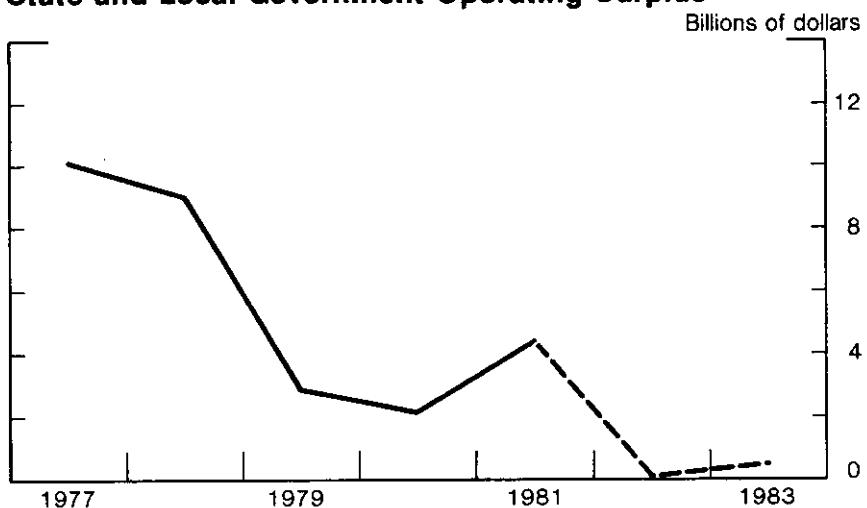
Auto Loan Delinquencies



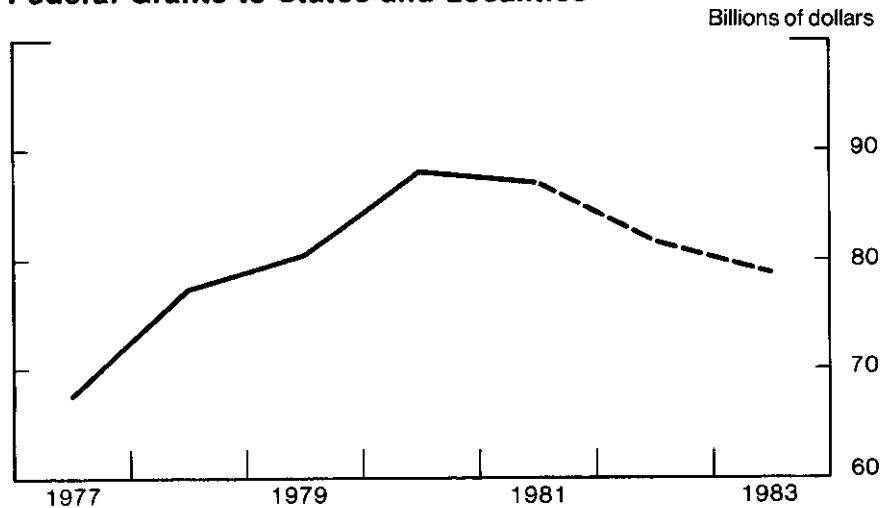
Mortgage Loan Delinquencies



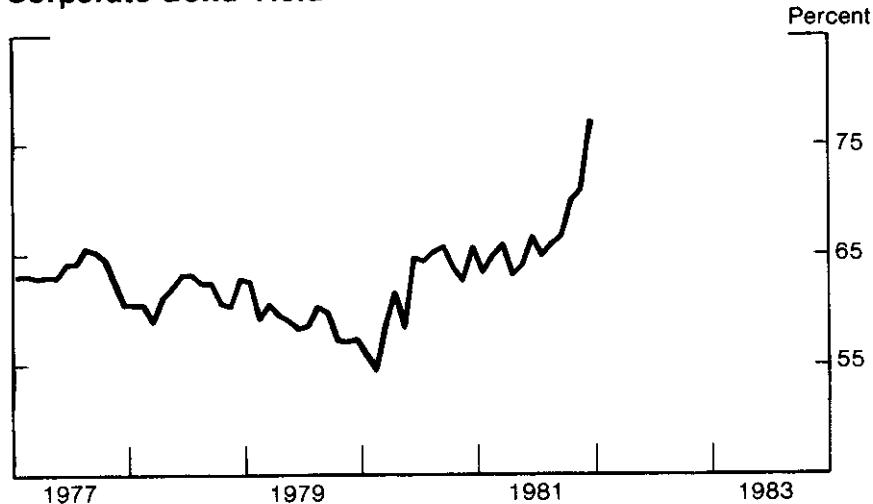
State and Local Government Operating Surplus



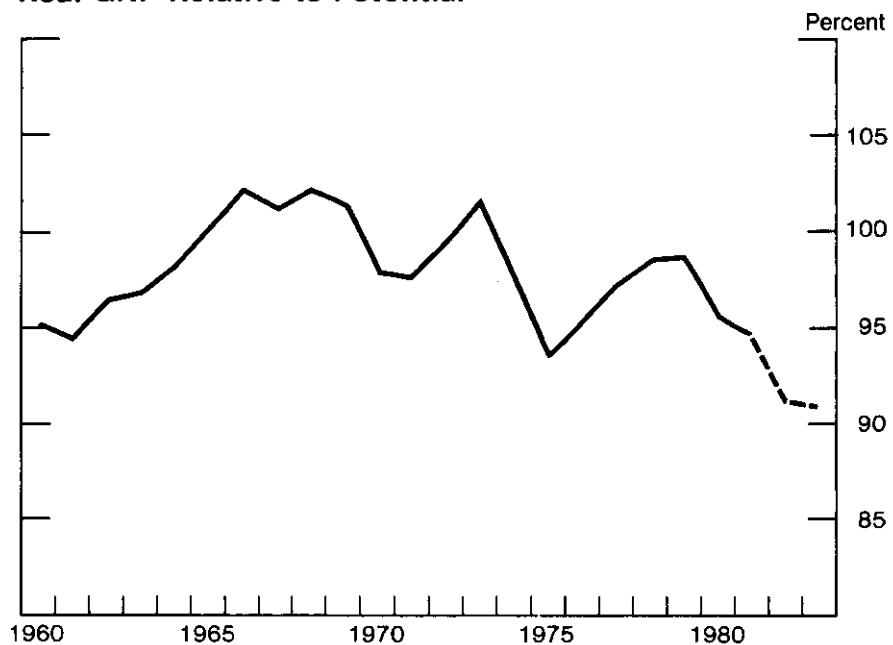
Federal Grants to States and Localities



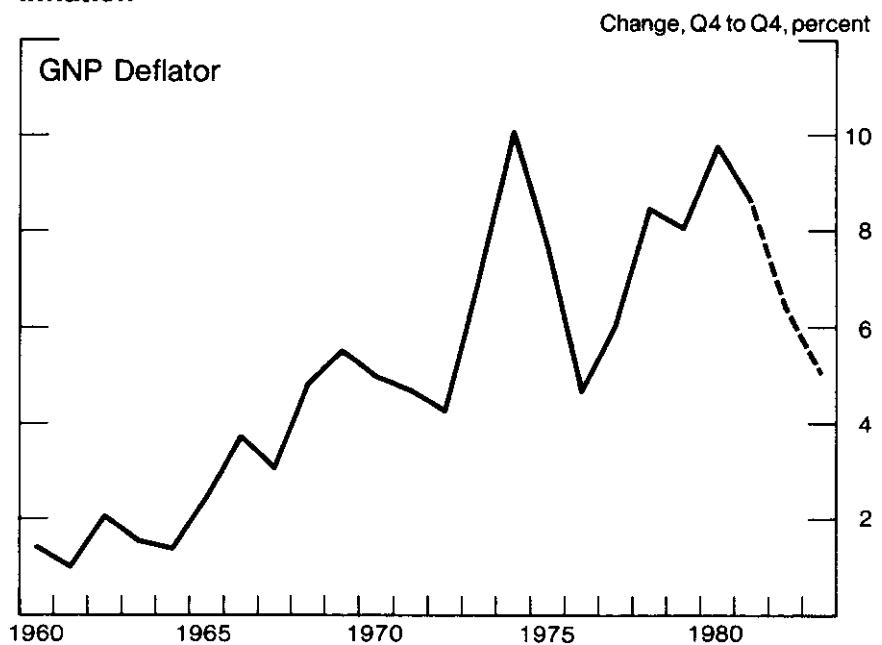
Tax-exempt Bond Yield Relative to Corporate Bond Yield



Real GNP Relative to Potential



Inflation



1982 Forecast Summary

	Board Members		Voting Presidents		Nonvoting Presidents		Staff
	Range	Median	Range	Median	Range	Median	
Change, Q4 to Q4, percent							
Nominal GNP	8—10	8½	8—9½	9	6½—9½	8½	8
Real GNP	½—2	1¾	1—2½	2	0—2	1¾	1¼
GNP Deflator	6½—7¾	7½	7—7¼	7	6¼—7½	7	6½
Average Q4 level, percent							
Unemployment Rate	8¼—9½	8½	8½—9	9	8¾—9½	9	9¼